

**Statement of the Joseph H. Boardman, Commissioner  
New York State Department of Transportation  
On Amtrak Status: Successes and Failures of Amtrak  
and the Amtrak Reform and Accountability Act of 1997**

**Before the House Transportation & Infrastructure Committee  
Subcommittee on Railroads  
The Honorable Jack Quinn, Chairman**

**March 6, 2002**

Good morning. I am Joseph Boardman, Commissioner of the New York State Department of Transportation (NYSDOT). I appreciate the opportunity to present testimony on the status of Amtrak. I am aware that this hearing is one of a series being held on Amtrak at this critical juncture in its history. While I recognize that the focus of this Hearing is on the Successes and Failures of Amtrak as it stands today, I would also like to comment on the larger role of intercity passenger rail in our transportation system and the economy, and on New York State's thoughts for the future of passenger rail.

As you know, New York State is a strong supporter of passenger rail service as part of a sound balanced integrated multi-modal transportation system. Since railroading began over 170 years ago in 1831 with the initial run of the Dewitt Clinton between Albany and Schenectady, New York State has been at the forefront of financing and implementing passenger rail enhancements and improvements. New York State implemented the first high speed rail service in the nation in the 1890's, passed historic transportation bond acts in the 1970's (which, among other railroad improvements, financed 110 mile-per-hour service between Albany and New York City), and today is investing well over a billion dollars in improvements related to intercity passenger rail. This includes the State's \$200-million-plus high speed rail agreement with Amtrak, and over a billion dollars in improvements to two of the busiest stations in the Amtrak system, Pennsylvania Station (the Farley Post Office project) and the Albany-Rensselaer Station in the Capital District. New York is complementing these investments with over a dozen intermodal projects that will benefit intercity passenger rail service between the Hudson Valley and Buffalo. In addition to our capital investments, New York State was one of the earliest supporters of additional service beyond the core established by legislation. Since the 1970's, New York State has provided both capital and operating assistance to the Adirondack service linking New York City to Montreal. NYSDOT currently provides about one million dollars in support, and expects to double this assistance in the next year. Clearly, our commitment to and vision for passenger rail in New York State is real. And our investments today are producing the intended results, as ridership in New York's Empire Corridor has increased by more than one third since 1997.

Yet as we also know, passenger rail service does not exist in a vacuum. Rail is one element of a much larger and more complex transportation system. A functioning integrated corridor focused rail transportation system links our communities to each other and links citizens and businesses to the rest of

the nation and the world. Without an effective transportation system, we risk being isolated and missing out on opportunities to be important players in the growing and increasingly integrated world economy.

For New York State, rail is a critical part of our integrated passenger and freight network. For passengers, New York State is served by the Adirondack, Empire and Northeast Corridors. The Adirondack Service provides valuable connectivity to the citizens in smaller communities in Northern New York between Montreal and New York City. The Empire Corridor links major New York State cities west of Albany with Chicago and the Midwest, and competes effectively with the automobile travel along the Albany to New York City segment. The Northeast Corridor service provides critical congestion relief for passengers along the I-95 corridor, where the interstate and aviation markets are nearly saturated. For freight, Canadian National, Canadian Pacific, CSX, and Norfolk Southern provide service to and from the Port of New York and other local markets to the trade corridors in the broader Northeast Trading Bloc. This bloc is defined as bounded by Halifax, Nova Scotia to the North, Norfolk, VA to the South, and Chicago to the West, and from these points, to the larger national and global economies.

Further, as demonstrated by the events of September 11, rail is critical from a safety standpoint, providing much needed redundancy to the transportation system. At a time when the aviation network was shut down, intercity passenger rail service was operational as early as the evening of that tragic day. Nowhere was that operation more essential than the State of New York, where access to New York City was otherwise nearly non-existent. The connectivity provided by rail during this time extended to the entire Atlantic Coast and the nation. In the time since September 11, intercity passenger rail, particularly in the Northeast corridor, has become even more competitive, as the aviation system struggles to adjust to new security measures.

In this larger context, New York believes that the nation must continue to invest in the national rail system, and continue to provide national intercity passenger rail service that links our communities, and joins us with our North American neighbors. As a component of our nation's transportation network, intercity passenger rail provides a vital public purpose as surely as the interstate highway system or the national aviation network. It is therefore a public responsibility and should not be judged strictly on its financial performance or its success in minimizing financial demands on the federal government. No other mode of transportation is asked to meet this test. The federal government provides billions of dollars each year in subsidies to other critical transportation systems, in partnership with state and local governments. Most recently, in the face of great financial difficulties, the federal government provided \$15 billion to the airlines to compensate for losses and keep the system viable following September 11. Federal investment in rail is a fraction of this amount. A viable rail transportation system requires investment. New York is a willing and committed partner in the provision of such services. However, states can not do it alone. The federal government should and must be a strong financial partner in the provision of rail services.

Today, this Committee is examining the question of the success or failure of Amtrak and Amtrak's most recent authorization, the Amtrak Reform and Accountability Act of 1997 (ARAA). In passing the ARAA, Congress legislated a rail policy that has been articulated since the 1970's. That policy did not advocate

a linked national system. In its June 1979 report to Congress, the National Transportation Policy Study Commission recommended "that Amtrak management be given complete flexibility to make adjustments to the route structure. Allowing Amtrak such flexibility would make it unnecessary for Congress to engage in drastic restructuring...The route structure should be re-focused to achieve more cost-effective performance. Amtrak should cut back substantially on its long haul routes and concentrate in the short run on reducing its deficits by serving dense corridors, and in the long run on providing only that service which is determined to generate long-term benefits to society in excess of resource cost." In 1997, Congress, through the ARAA, provided Amtrak with the flexibility to discontinue unprofitable routes or renegotiate costly labor provisions. In exchange, Amtrak was to be free of federal operating subsidies within five years. The mandate, however, was flawed.

First, Amtrak retained the mission to operate a safe national passenger system. Yet the resources authorized through the ARAA (about seven billion dollars including the \$2.2 billion in capital assistance provided through the Taxpayer Relief Act) were inadequate to address both operating and infrastructure needs, including the nearly one billion dollars in safety repairs required in the tunnels leading to Pennsylvania Station in New York City, Amtrak's busiest station. Yet it was now required to focus on short-term financial operational goals to wean itself from federal operating assistance. As the Inspector General reported in its January 2001 assessment of Amtrak's performance, "It is not clear whether Amtrak or any other entity could ever operate a linked national system such as that in place today without operating subsidies."

Further, while the ARAA provided Amtrak with the ability to take measures such as modifying route structures and labor provisions, Amtrak was not in a position to make truly business-like decisions, as it remained subject to annual appropriations decisions. Over the five years of the ARAA, Amtrak has received little more than half of the funding authorized, \$2.8 billion of \$5.1 billion. While in theory, Amtrak could discontinue routes or renegotiate labor contracts, in reality, such actions would be politically costly, jeopardizing Amtrak's annual federal appropriations. Amtrak's cost cutting options, then, were limited. Instead, Amtrak continued to operate its national passenger system while concentrating on revenue generating activities.

Amtrak has increased revenues through implementation of the Acela service on the Northeast Corridor and the expansion of non-passenger revenue activities such as mail and express. While non-passenger revenue is expected to increase in importance over time, especially through opportunities from mail and express business, New York believes that this service is not part of the core mission of intercity passenger rail, and should be developed only to the extent that it does not detract from passenger service.

Amtrak has also exercised its right, per the ARAA, to revise the cost-recovery formulas for state-supported service, allowing Amtrak to recover a larger share of route costs from states. In New York, State operating support for the Adirondack service continues to increase. In 1997, New York contributed \$960,000 to support the Albany to Montreal route. This year, New York expects to double this contribution, and Amtrak has estimated that, to cover future losses, state payments will need to increase

to nearly seven million dollars by 2007. New York clearly supports its Adirondack Service. However, such large increases will be difficult to continue, particularly if the State is not allowed to play a larger role in the decisions surrounding schedules, fares and marketing.

While Amtrak has increased both its passenger and non-passenger revenues since enactment of the ARAA, costs have risen even faster. Amtrak's debt has increased tremendously. The US Department of Transportation's Inspector General (IG) reported in January that Amtrak's annual interest expense has increased nearly four-fold from 1993 to 2001, and will more than double between 2001 and 2002, reaching \$187 million.

With increasing debt and rising cash losses, the self-sufficiency mandate has forced Amtrak to pursue some options to generate cash that were not in its long-term business interest. Amtrak has leveraged much of its rolling stock, and last year, it mortgaged portions of one of its most valuable assets, New York's Pennsylvania Station, in an effort to raise cash. The money was used, not to invest in the infrastructure, but to support operations. As the Inspector General states, while similar short-term mechanisms might allow Amtrak to technically meet a self-sufficiency mandate, "Not only would the victory be hollow in the short-term, but the sacrifices made to achieve the immediate goal would compromise the physical and financial integrity of any future passenger rail company, be it Amtrak or another entity or entities."

We need to build the nation's rail system to last. Failure to invest in the infrastructure reduces the integrity of the system, and the quality and reliability of passenger service. Safe, reliable and frequent service is essential to attracting and maintaining ridership and generating the passenger revenues needed to support passenger operations. Conversely, deferral of basic infrastructure investments affects operational reliability. On the Northeast Corridor, the most heavily utilized of Amtrak's routes, the total minutes of delay for intercity trains has increased nearly 75 percent between 1998 and 2001. The nation must support adequate predictable funding to prevent further deterioration.

The ARAA established the Amtrak Reform Council (ARC) to oversee Amtrak's progress in meeting the operating self-sufficiency mandate. The ARC has been dedicated and professional as it has undertaken its duties. New York has agreed with the ARC that Amtrak needs improvements, especially its accounting practices. New York believes that Amtrak should reform accounting practices to provide all stakeholders with a transparent report that conforms to Generally Accepted Accounting Principles. Without sound data, management is not in a position to make consistently sound decisions.

However, New York believes that the ARC came to a conclusion about the future of intercity passenger rail service more than two years ago, and developed a model to carry out that vision. While the ARC has expanded on the model, despite numerous hearings and comments, the model and vision changed very little since the initial draft, and many of New York's issues remain unaddressed in the ARC's report to Congress.

For intercity passenger rail to be successful, it must provide safe, reliable, frequent and connected service. New York believes that this will not occur without adequate, predictable funding and careful integration

of planning, operations and infrastructure investment. Any proposal to modify the existing funding, operations and institutional arrangements must not jeopardize or degrade the safety, reliability and efficiency of the existing passenger rail network. Yet in its restructuring proposals, the ARC has failed to address the critical funding need, and it has proposed separately managed operations that would vastly complicate the task of providing an integrated network of services.

The Northeast Corridor, which is the most complex, intensely used rail corridor in the nation, illustrates the “real world” challenges of restructuring without adequately addressing the practical implications of inadequate capital funding and coordination. Splitting off the Northeast Corridor infrastructure to a new owner/operator – without secure, long term funding – threatens the safety, security and integrity of this critical transportation asset which provides a national as well as regional transportation need. States are investing in the Northeast Corridor and other rail infrastructure now. Yet capital investments by the federal government, states and private sector have not been adequate to address the more than \$3 billion backlog of repairs needed to bring the Northeast Corridor infrastructure to the state of good repair essential for operational reliability. Without a secure source of capital funding, the states along the Northeast Corridor, especially New York State which is still reeling from the economic impacts of September 11, will be hard-pressed to provide the level of capital funding needed for this national transportation asset.

The Northeast Corridor also illustrates the challenges to reliable, safe service posed by separately managed operations. For example, in the tri-state New York City area, hundreds of trains – intercity, commuter and freight – move through this congested area daily. Orchestrating the safe movement requires careful scheduling of train movements, coordinated dispatching, and integration of infrastructure planning and construction. This has been accomplished in the New York City area as a result of years of negotiations among all the diverse owners and operators. Operating each rail corridor separately and without a national framework to provide connectivity – as proposed by the ARC – would create a series of disconnected corridors that fails to provide the national public benefits of rail.

While there are issues with Amtrak and the ARAA, perhaps the biggest success is that the requirements of the ARAA have brought us here today to confront the future of intercity passenger rail service. Amtrak, to its credit, has undertaken a variety of new and creative initiatives in an effort to become more businesslike, and, though struggling under that weight of its competing mandates, it is still here fighting to provide service. That, too, is a success against all odds.

The question now becomes the future. Currently, I serve as Chairman of the American Association of State Highway and Transportation Officials' (AASHTO's) Standing Committee on Railroad Transportation (SCORT). SCORT, composed of the rail representatives of the fifty State Departments of Transportation, supports efficient and dependable intercity passenger rail service, and believes that Congress should:

- ! Establish a solid basis for partnerships for passenger rail service between the states and the federal government;

- ! Maintain the federal involvement necessary for financing and system integrity;
- ! Provide a stable system for funding operating costs; and
- ! Create a dedicated, sustainable source of funding for rail infrastructure improvements.

SCORT currently has two studies underway to inform the debates on the future of rail. SCORT's freight study will address the overall role of rail freight in the nation's goods movement system, assess current and future conditions along major rail freight corridors, consider the value of improvements to the rail freight systems, and review existing rail public assistance programs. This study will be included in AASHTO's family of Bottom Line reports being prepared for the reauthorization of the Transportation Equity Act for the 21st Century (TEA-21).

SCORT's passenger rail study, to be completed within the next few weeks, will be the basis for SCORT's decisions later this month on revisions to AASHTO policy related to Amtrak and more generally to intercity passenger rail service. The passenger report will provide basic information about current intercity passenger rail service in the United States, address impacts on highway and air modes including opportunities for intermodal connectivity and integration, and characterize the value of investments in passenger rail service to our society, including the impacts on the economy and quality of life. It also will identify important institutional and policy issues for further consideration by AASHTO. It is SCORT's hope that these studies will not only inform AASHTO's future rail policy, but will be useful in shaping the national debate on the future of rail.

This Committee will play a major role in that future. A linked national system that provides national public benefits will require a commitment of national policy and substantial funding. I know that this Committee has been thinking about options for rail infrastructure funding. Most recently, you have introduced the Rail Infrastructure Development and Expansion Act for the 21st Century (RIDE 21), a bill that authorizes \$71 billion in investment in the nation's rail infrastructure. New York applauds the levels of investment proposed in this legislation. While we understand that this bill is undergoing revision, the latest draft contains a number of funding mechanisms for rail investment, including a combination of tax credit and tax exempt bonding, loans, loan guarantees and reauthorization of the Swift Rail Development Act. These investment strategies are a good first step, but New York State firmly believes that debt mechanisms alone will not allow the necessary investments to improve rail infrastructure. Congress should support a relationship equivalent to that provided for other transportation modes, i.e., dedicated federal funding and an 80/20 federal-state partnership. This level of commitment, without cumbersome and potentially problematic requirements such as interstate compacts, is critical to developing an intercity passenger rail system that supplements and complements other modes of transportation in an integrated transportation system.

New York State appreciates the excellent work and dedicated service of this Committee. New York believes in the future of intercity passenger rail service, and we look forward to working with this

Committee as the debate progresses. I thank you for this opportunity to comment. Those who live and travel in this country are expecting you to build an intercity passenger rail system that is built to last.